



House of Commons  
Communities and Local  
Government Committee

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# **The Supply of Rented Housing**

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**Eighth Report of Session 2007–08**

***Volume I***





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## Communities and Local Government Committee

The Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Communities and Local Government and its associated bodies.

### Current membership

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Sir Paul Beresford MP (*Conservative, Mole Valley*)  
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Mr Bill Oler MP (*Labour, Nuneaton*)  
Dr John Pugh MP (*Liberal Democrat, Southport*)  
Emily Thornberry MP (*Labour, Islington South and Finsbury*)

The following members were also members of the Committee during this inquiry:

Lyn Brown MP (*Labour, West Ham*)  
David Wright MP (*Labour, Telford*)  
Martin Horwood MP (*Liberal Democrat, Cheltenham*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/clgcom](http://www.parliament.uk/clgcom)

### Committee staff

The current staff of the Committee are Huw Yardley (Clerk of the Committee), David Weir (Second Clerk), Sara Turnbull (Inquiry Manager), Clare Genis (Committee Assistant), Gabrielle Henderson (Senior Office Clerk), Kerrie Hanley (Secretary) and Laura Kibby (Select Committee Media Officer). James Cutting (Committee Specialist) also assisted in the production of this Report.

### Contacts

All correspondence should be addressed to the Clerk of the Communities and Local Government Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 1353; the Committee's email address is [clgcom@parliament.uk](mailto:clgcom@parliament.uk)

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## Summary

Rented housing accounts for some 30 per cent of Britain's housing stock. However, the policy of successive Governments has favoured the interests of owner-occupiers at the expense of those of tenants. The Government has a responsibility to ensure that tenants as well as owner-occupiers have "the opportunity of a decent home, at a price they can afford, within a sustainable community." Above all, more supply of rented housing is needed, just as more supply is needed of homes for owner-occupiers. All the actors—central government, local government, housing associations, and the private sector—need to redouble their efforts to increase supply.

Compared to ownership, renting is often seen as second best. This perception is unhelpful: significant numbers of people rely on the rented sector, and their needs and aspirations are every bit as important as those of homeowners. There are a number of ways in which the experience of tenants can be improved. In the social rented sector, the creation of mixed communities, where social rented housing sits alongside private rented and owner-occupied homes, should pervade all spatial and housing policy to reduce social polarisation. In the private rented sector, particularly at the lower end, a minority of landlords are not fulfilling their obligations to their tenants to provide a decent home, and the Government needs to tackle these issues of quality by strengthening the regulatory approach to the private rented sector. Reforms to housing benefit are needed: late payment must be addressed; the single room rate made more flexible; and the operation of the benefit system as a whole better coordinated and made more able to take account of changes to individual circumstances and changes in the local housing market. In particular, to tackle worklessness, there is an urgent need to provide clearer guidance to benefit recipients about the effect on housing benefit payments of increasing their income from work. More family homes are needed in the social rented sector to address overcrowding. Further steps should be taken to increase the involvement of both private and social tenants in the management of their homes.

An increase in the supply of social rented homes of some 50,000 a year will be necessary to reduce significantly the backlog in demand. Despite recent increases in spending, current rates of building are below this level; all providers of social rented homes need sufficient encouragement, resources and flexibility to increase supply. The Government must be prepared, if necessary, to raise investment in new supply still further.

Section 106 agreements have made a significant contribution to the increased supply of social rented homes, but they have resulted in too great a proportion of new social housing built as flats, rather than accommodation suitable for families: action is needed to ensure that new affordable housing is directed at the areas of greatest need. The level of grant support provided for social homes built on s.106 sites must be sufficient to ensure that development on sites critical to addressing local housing needs remains viable. Further analysis and guidance to local authorities are needed on the use of "commuted payments" in lieu of affordable housing on new developments. More emphasis should be placed on deliverability when making grants for affordable housing.

The right to buy has enabled many families to get on the housing ladder who would not otherwise have been able to do so. But the inability of councils easily to reinvest the receipts into the construction and acquisition of new social homes has been a major factor in the decline in the numbers of social rented stock. Reforms are needed to enable councils to tackle this problem. Meanwhile, the Government needs to review the effect of right-to-buy sales on neighbourhoods and adopt an approach similar to that which we saw operating in the Netherlands, where social housing sales are made to an agreed strategy, with restrictions on sales where they are necessary to tackle specific problems.

As well as measures to increase new supply, measures are needed to ensure the more efficient use of the existing social rented stock. Encouragement, backed up by appropriate support, should be given to social tenants who wish to downsize. The Government should make progress with national mobility schemes to enable social tenants to move around the country, and greater use should be made of choice-based letting schemes. A successor to the Decent Homes programme should be developed to ensure the ongoing maintenance of the social rented stock to a standard which maximises supply. We endorse the conclusions of the Hills and Cave reviews of social housing regarding the need for better asset management in the social rented sector.

More fundamentally, and over the medium to long term, the Government and the wider social rented sector must reach a conclusion on the role of social renting. Is it to provide accommodation only for those who need it the most, or should the sector offer security of tenure and a chance to get on with improving livelihoods to a wider range of people? We consider that social housing has a vital role to play in the creation of mixed and sustainable communities, but current Government policies and spending plans are insufficient to allow it to do so. Only sustained and substantial commitments in policy and financial terms will enable the sector to fulfil the aims originally envisaged for it.

In the private sector, there is a need for more variety in the length of tenancies available, to enable households in the private as well as the social sector to have stable homes provided through secure tenures. The Government should build on the work already done by the Law Commission on this subject.

The investment made through buy-to-let has helped to increase supply, but is increasing the pressure on housing markets, especially for first-time buyers, and is not always furthering the aim of the creation of mixed communities. Further research is needed on the local effects of this investment, as is more work on how the resources of public sector bodies can be used to direct private sector investment into appropriate areas. Action is needed to tackle “buy-to-leave”, where properties are left vacant for long periods. Further research is also needed on trends and patterns in the housing needs of students and migrants.

Regulation of the private rented sector must become more effective. In particular, the licensing regime for houses in multiple occupation needs to be strengthened. More generally, a good basis exists to introduce a system of accreditation of landlords and letting agents devised by trade bodies and enforced by the involvement of local authorities, with the ultimate oversight of Ofscat. The Government’s review of the private rented sector



should consider the establishment of a regulatory system based on such self-regulation and encouraged with financial incentives for investment in maintenance and energy efficiency. In the social rented sector, regulation should minimise administrative burdens and free up resources for the vital task of maximising supply. Reforms to the regulatory and taxation systems should incentivise the supply of new housing and better management of existing housing in both the private and the social sector.

There should be no impediment to local authorities, exercising their place-shaping role, which wish to build on land that they own. The Government should take further steps to support and enable local authorities to add to the supply of social rented homes. In particular, the national Housing Revenue Account system should be reformed, both to remove perverse incentives and to enable councils to use the system to fund the construction and acquisition of more social housing. Housing associations should use their surpluses to increase the supply of social housing. They should also be enabled and encouraged to diversify into other private and social enterprises, backed up by appropriate Government support to retain the confidence of lenders.

Social housing providers should not be distracted from their core tasks of making better use of the existing stock and constructing new homes. Nevertheless they should take whatever steps they can to address or avoid the negative consequences of polarising worklessness and deprivation within their housing. In particular, their allocation schemes should be designed to enable the movement of tenants who are making a genuine attempt to become more engaged in employment. We would not support any change which made security of tenure conditional on seeking work.

In implementing reforms to the housing benefit system, the Government should ensure the continued viability of temporary-to-settled schemes and the opportunity which they offer to use public funds, in the form of housing benefit, to improve the supply of social rented homes.

This Report comes at a crucial time. The creation of the new regulator of social housing, Oftenant, and the Homes and Communities Agency is a significant milestone in the Government's housing policy. Many of our recommendations will fall to these two agencies to implement. But central government, local government, housing associations and the private sector all have a vital role to play too. All should respond positively to this Report; and increase the quantity and improve the quality of the supply of rented housing.













































































































































































































































































